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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 000583

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TAGS: [PGOV](#) [EAID](#) [ECON](#) [PINR](#) [BG](#)
SUBJECT: NOBEL LAUREATE'S GRAMEEN BANK THRIVING UNDER
CARETAKER GOVERNMENT; CONCERNED ABOUT FUTURE

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b) and (d)

Summary
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¶1. (C) According to its founder, Nobel Laureate Muhammad Yunus, Grameen Bank is thriving under the Caretaker Government and has been largely immune to the effects of high food prices and natural disasters that have plagued Bangladesh's economy this year. Grameen continues to expand into new markets and businesses, including opening its first branch in the U.S. and moving into the health care sector in Bangladesh. What Grameen and its founder fear most is a return to the confrontational politics and the culture of impunity that existed before the state of emergency. While many have called for Dr. Yunus to play a political role, and while he has flirted with this in the past, the Grameen head fears that politicization would threaten all that the Bank has achieved. Yunus sees decentralization as key to improving governance and service delivery and unlocking Bangladesh's potential.

Grameen Bank Thrives Under CTG
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¶2. (C) The Ambassador met with Nobel Laureate Dr. Muhammad Yunus at his modest office in the Grameen Bank Headquarters building in Mirpur, Dhaka. Pol/Econ Counselor (notetaker) accompanied the Ambassador during the one-hour long meeting. The meeting was followed by a brief presentation on the launch of Grameen America's first branch in Queens, N.Y. Yunus told the Ambassador that Grameen America has plans to expand in the U.S., beginning in New Orleans, once the proof of concept period in New York is completed.

¶3. (C) Yunus said that Grameen Bank's status in Bangladesh was currently very healthy, with 7.45 million borrowers, 97 percent of whom are women. Grameen Bank had 2,499 branches and 25,211 staff members, and was totally owned and operated by its members. Grameen has been largely unaffected by the natural disasters and high food prices that have plagued the economy this year. Over the years, Grameen had expanded into a family of 25 companies, including agriculture, communications, education, energy, telecom, and IT.

Grameen Expands into Health Care Sector
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¶4. (C) Yunus became animated as he described Grameen's expansion into the health care sector. Grameen Health Care Services was intended to address the problem of lack of qualified medical personnel at the local level. Yunus envisioned an integrated health care delivery service, funded

through health insurance contributions by members, that would include local health clinics, 50 bed hospitals at the district level, and a national "Medical City" which would provide more advanced care and also oversee education and training of doctors and nurses, both for employment within the system and opportunities abroad. Yunus said the biggest challenge that the health sector currently faced was competition from the GOB for hiring doctors, who were attracted by the perks and the low expectations of the government health care system. Yunus will soon travel to the U.S. and meet representatives from Massachusetts General Hospital and the Mayo Clinic to discuss possible partnerships.

The Problem with Politicians

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15. (C) Yunus claimed Bangladesh's greatest resource was its people, and noted that much of the country's success had been achieved in spite of the Government. He said the biggest problem facing the country was the dysfunctional political system. Yunus told the Ambassador he had been offered the position of Chief Adviser of the current caretaker government but had turned it down. Still, he was full of praise for what his friend Dr. Fakhruddin Ahmed's government had accomplished. Yunus said the CTG had achieved more in two years than a political government would have achieved in 50 years.

16. (C) Yunus said he feared the return of an unreconstructed political class following elections. He recounted the

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difficulties that previous political governments and bureaucrats had caused for Grameen and other NGOs. Yunus blamed the senior leaders of the parties for the rampant corruption in Bangladesh, saying they had created an environment in which corruption could flourish with impunity. Countering the conventional wisdom, Yunus praised the CTG for its handling of this year's food crisis, noting the government had done much better than a political government would have.

Importance of Decentralization

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17. (C) Yunus was dismissive of the Dhaka-based intellectuals critical of the CTG. Grameen was in touch with the people, he reported, and did not see any signs of famine or severe distress. Yunus championed decentralization, noting he had argued in favor of strong local government with former Prime Ministers Sheikh Hasina and Begum Zia. Yunus claimed he had been one of the early proponents of village government "Gram Sarker," adding he was disappointed to see that abolished. Yunus considered it imperative that the Upazila system be retained and that elections be held. In addition, he saw no role for Members of Parliament in overseeing local administration.

Grameen Out of Politics

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18. (C) Yunus confided to the Ambassador his reluctance to see Grameen take a stand on political issues for fear it would result in the destruction of all that he had built. Once politicized, Grameen would become a target for the political classes, who would seek to provoke divisions within the organization. Yunus did not directly address the frequent rumors that he was being considered as a consensus President or Prime Minister. We have heard from others in recent days that Yunus has been talking with the Government and its supporters about a possible future role.

Comment

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19. (C) Yunus comes across as very sincere and committed to the work of Grameen. He bears the scars of many confrontations and disappointments with Government, both politicians and bureaucrats, and this seems to color his perceptions of the political parties and the two former prime ministers. It is understandable why he would be a proponent of strong local government, and his analysis of the impediments to economic growth appears on the mark. While Yunus was clear that Grameen should stay out of politics, and while it would be hard to see him as a politician, he did not close the door to some future "political" role.

Moriarty